

DON Purchase Card Certification Course

## Lesson 1, Part I

# Introduction



**Head of Activity Course**

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November 2005



This is a Department of the Navy Purchase Card Certification Course. Please click the forward arrow to begin your training.

# Lesson 1, Part I Learning Objectives

Upon successful completion of this lesson, you will be able to:

- Identify the *Major Players* in Purchase Card Program and explain their responsibilities (Part I)
- Explain the organization and the purpose of the Purchase Card *Hierarchy System* (Part II)
- List the major steps to *Establishing a Purchase Card Program* (Part II)



This first lesson is an overview of the Purchase Card Program. It will introduce you to the roles and functions of the major players in the program.

Before you start this lesson, read over the training objectives listed here. The first objective is covered in this part of lesson 1 where as objectives 2 & 3 are discussed in part 2. Upon completion of this course, you will be tested on these objectives and the objectives of the other lessons. When you finish reading these objectives, click the forward arrow to continue.

# Program Overview

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We will discuss:

- Major Players
- Hierarchy System
- Establishing a Purchase Card Program

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In this first part of the overview, we will discuss the major players and their main functions within the program. We'll also discuss how an activity establishes a Purchase Card Program. In part 2 of this lesson we'll discuss one of the main underlining program concepts, namely, the program hierarchy structure.

Click the forward arrow now to continue.

# Major Players

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- Program Manager
- Head of Activity (HA)
- Agency Program Coordinator (APC)
- Approving Official (AO)
- Cardholder (CH)
- MasterCard
- Citibank

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The success of the DON Purchase Card Program depends on the individuals who actively participate in its operation.

The key players in the program include the Program Manager, the Head of Activity, the Agency Program Coordinator, the Approving Official, the Cardholder, MasterCard, and Citibank. Let's briefly discuss each of these Purchase Card Program roles. Click the forward arrow to continue.



# Program Manager

The Program Manager for the Department of the Navy Purchase Card Program is the DON Consolidated Card Program Management Division.

Program Management Office responsibilities include:

- Issuing the Purchase Card Program instruction, policy and training products
- Overseeing daily operations
- Coordinating, hosting, and participating in annual APC Purchase Card Conferences

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The Consolidated Cards Program Management Division of NAVSUP is the Department of the Navy's Purchase Card Program Program Manager. This group issues the Purchase Card Program instruction, policy announcements, and training products. They oversee the daily operations of the Purchase Card Program. They also coordinate, host, and participate in annual APC purchase card conferences.

Please click the forward arrow

# Head of Activity

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- The Head of Activity is the activity's commanding officer or high level senior management official.
- The HA is responsible for overseeing an activity's local Purchase Card Program.

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The Head of Activity, HA, is usually the activity's commanding officer or high-level senior management official. The HA is responsible for overseeing an activity's local Purchase Card Program. One of the HA's main responsibilities is the selection and delegation of an APC to manage the local program.

Click the forward arrow now to review the role played by the Agency Program Coordinator.

# Agency Program Coordinator

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- The Agency Program Coordinator is the local activity's Purchase Card Program Manager.
- APCs are the local program managers of their activity's Purchase Card Program.

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The Agency Program Coordinator, or APC, is the local activity's Purchase Card Program manager. APCs are assigned to one of three hierarchical levels. These levels are at the major component level, the region or the local activity. APCs, regardless of the hierarchy level, are the managers of their agency's Purchase Card Program and the main liaison into the DON Consolidated Card Program Management Division.

Please click the forward arrow to continue.

# Approving Official

The Approving Official is usually the Cardholder's supervisor.

The AO is responsible for .....

- Monthly reviews
- Approval and certification of Cardholders' Purchase Card transaction statements

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The Approving Official, AO, is usually the Cardholder's supervisor and is responsible for the monthly review, approval, and certification of Cardholders' Purchase Card bank statements. It is the AO responsibility to certify the monthly bank statement for payment.

Click the forward arrow to continue.

# Cardholder

## The Cardholder ...

- Makes and Records Purchase Card Purchases,
- Follows Through With Receipt of Goods and Services,
- Reviews and Reconciles the Monthly Bank Statements

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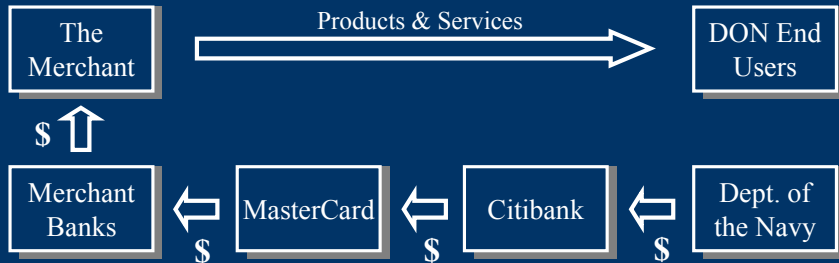


The Cardholder is the person who makes and records the Purchase Card transactions, then follows through with receipt of the goods and services. The Cardholders are responsible for reviewing and reconciling their monthly bank statement before their AO certifies it for payment .

Please click the forward arrow now to continue.

# MasterCard

MasterCard receives *payment requests* from banks of merchants from whom Cardholders purchase goods and services and then forwards the payment requests to Citibank.



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MasterCard is the credit card company that grants Citibank permission to issue charge cards to the Department of the Navy's Purchase Card Program. This chart shows the cash flow in the system as the result of a Purchase Card transaction.

The merchant processes the transaction through MasterCard; funds are transferred into the Merchant's bank account. MasterCard then recoups these funds from Citibank. Citibank generates monthly invoices for each DON Purchase Card Program Cardholder and ultimately recoups its funds from the Department of the Navy.

Click the forward arrow to continue.

# Citibank

- Citibank is the DON contractor who creates the Purchase Card Program invoices and forwards them to DON for reimbursement.
- The Purchase Card Program *Cardholders* and *Approving Officials*:
  - receive, review, reconcile, approve and submit the monthly invoices for payment to Citibank from the US Treasury.

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Citibank is the Department of the Navy's Purchase Card Program contractor bank. Citibank creates and supports the charge card accounts used by the DON Purchase Card Program. Citibank generates the monthly statements and forwards them to the Department of the Navy for reimbursement.

The Purchase Card Program Cardholders and Approving Officials receive, review, reconcile and approve the monthly bank statements. The certified statements are then submitted to the US Treasury for payment to Citibank.

This completes our overview of the roles and responsibilities of the major players in the program. Our next topic of discussion is the concept of hierarchies within the program. This bank system hierarchy is the main topic covered in Part II of this lesson.

Click the forward arrow now to review this lesson's objectives.

## Review of Objectives

You should now be able to:

- Identify the *Major Players* in Purchase Card Program and explain their responsibilities ([REVIEW](#))
- Explain the organization and the purpose of the Purchase Card *Hierarchy System* (Part II)
- List the major steps to *Establishing a Purchase Card Program* (Part II)

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This concludes Part I of Lesson 1. Take a minute to review this lesson's objectives. If necessary, you can click on the word "REVIEW" to return to the relevant area of the training to review that topic. When you are finished reviewing a topic, click the "RETURN" arrow icon in the navigation toolbar to return to this page of the course.

When you are confident that you understand the material, click the forward arrow to continue.



DON Purchase Card Certification Course

## Lesson 1, Part I

# Introduction



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This concludes Part I of Lesson 1. Click on the “HOME” button icon in the navigation toolbar to close this lesson and return to the main menu. At the Main Menu, click on Lesson 1, Part II to continue your training.

DON Purchase Card Certification Course

## Lesson 1, Part II

# Introduction



Head of Activity Course

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This is lesson 1, part 2 of the Department of the Navy Purchase Card Program Certification Course. Please click the forward arrow to review this lesson's objectives.

## Lesson 1, Part II, Learning Objectives

Upon successful completion of this lesson, you will be able to:

- Identify the *Major Players* in Purchase Card Program and explain their responsibilities
- Explain the organization and the purpose of the Purchase Card *Hierarchy System*
- List the major steps to *Establishing a Purchase Card Program*

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In this part of lesson 1 we will discuss the Citibank Hierarchy Structure and the steps required to establish a Purchase Card Program, the second and third training objectives listed here. The first objective was covered in part 1 of this lesson.

Before proceeding, read over these objectives. When you finish this course, you will be tested on these objectives and the objectives of the other lessons. When you are confident that you understand these objectives, click the forward arrow to continue.

# Citibank Hierarchy System

In order for Citibank to track its Government Purchase Card account transactions, they use:

- a *hierarchal* system
- consisting of *seven ( 7 ) levels*
- based on federal government

*Unit Identification Codes ( UIC ).*

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Citibank uses a hierarchal system consisting of 7 levels to track its government Purchase Card account transactions. The levels are based on the federal government unit identification codes, or UICs.

Please click the forward arrow to continue.

# Hierarchy System

The hierarchy system includes:

- **Level 1** – Department of Defense (UIC:01700)
- **Level 2** – Department of the Navy (UIC:00017)
- **Level 3** – Navy major Components and Marine Corps Headquarters
- **Level 4** – APC
- **Level 5** – APC
- **Level 6** – AO
- **Level 7** – Cardholder (e.g. 9999999999999999)



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At the top of the bank's hierarchy is the Department of Defense at level 1. DoD's UIC is 01700. Level 2 is the Department of the Navy with a UIC of 00017.

The DON Major Components are Level 3.

Levels 4 and 5 are Department of the Navy activities which fall under their respective major components. Each major component has a Level 3 APC and most have at least one Level 4 APC. Every major component also has at least one Level 5 APC. There is at least one Approving Official for each Level 5 APC.

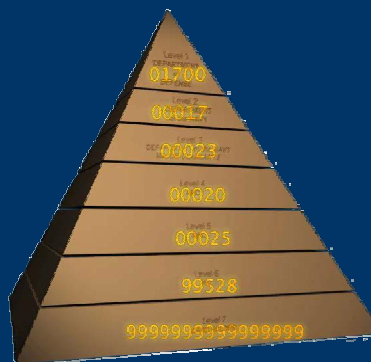
There is a UIC for each level, with the exception of the Cardholders at Level 7. Cardholders are identified via their 16-digit Purchase Card account numbers.

Please click the forward arrow to continue.

# Complete Hierarchy Codes

01700 00017 00023 00020 00025 99528 9999999999999999

Here is an example of a Cardholder's complete hierarchy number, which includes Levels 1 through 7.



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To help you better understand the hierarchy system, here's an example of a Cardholder's entire hierarchy number, which includes Levels 1 - 7.

The first and second sets of numbers, 01700 and 00017, represent the DoD and the Department of the Navy.

The third set, 00023, is the Level 3 APC for NAVSUP.

The Level 4 APC is represented by the fourth set of numbers, 00020, and the fifth set, 00025 is the Level 5 APCs.

The sixth set of numbers, 99528, is the Level 6 AO.

And, finally the seventh number set, the 16-digit number, is the Cardholder at Level 7.

A string of numbers like this uniquely identifies each CitiDirect account and clearly establishes ownership for all purchases made with that charge card.

Now let's look at how these levels and structure relate to each other. Click the forward arrow to continue.

# Hierarchy System

DON Purchase Card Program hierarchies distinguish chains of command.

- Cardholder report to AOs
- AOs report to Level 5 APCs
- Level 5 APCs report to Level 4 APCs (when existing)
- Level 4 APCs report to Level 3 APCs
- Level 3 APCs report to DON
- DON reports to DOD

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Hierarchies within the Purchase Card Program may be interpreted as chains of command. For instance, Cardholders report to their AOs, who report to their Level 5 APCs, who can report to a Level 4 APCs and Level 4 APCs report to their Level 3 APCs.

A small command might not have a Level 4 APC. In this case, the Level 5 APCs would report directly to their Level 3 APC. Now that we've discussed the major players and hierarchies, let's take a look at how an activity establishes a Purchase Card Program. Realize that most activities already have programs in place, so this discuss is meant to provide a historical prospective.

Click the forward arrow now.

# Establishing a PC Program

## The Head of Activity (HA):

- Determines the need for a local Purchase Card Program
- Requests authority to establish a local Purchase Card Program from the Head of Contracting Activity (HCA)
- Selects the APC

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The next three slides explain the process used to establish a Purchase Card Program.

First, the Head of Activity determines the need for a local Purchase Card Program, in order to support the organization's mission. This determination is based upon historical data, current mission requirements, and DoD regulations as to how purchases under the micro-purchase limit are to be made.

Next, the HA requests authority to establish a local Purchase Card Program from the Head of Contracting Activity, or HCA. If the HCA approves the HA's request, it provides the activity with written authorization to establish a Purchase Card Program.

Finally, the Head of Activity selects an APC to manage the local program. Click the forward arrow to continue.



# Establishing a PC Program

Before an APC is appointed by the HA, the candidate must:

- Successfully complete DOD/DON Purchase Card Training
- Establish a hierarchy number with Citibank
- Create Internal Operating procedures (IOP) based on the DON CCPMDINST 4200.1B guidelines

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Before an APC is appointed by the HA, the candidate must successfully complete the mandated Department of Defense and Department of the Navy Purchase Card Training.

Following official written appointment, the APC can set up the activity's hierarchy structure with Citibank. After the hierarchy structure is established, the APC must create an Internal Operating Procedures for the Purchase Card Program. The IOP is based on the Consolidated Cards Program Management Division's Purchase Card Instruction and Purchase Card Program Desk Guides. The IOP must meet or exceed the rules and guidelines specified in these documents.

Click the forward arrow to continue.

# Establishing a PC Program

## The HA and APC:

- Delegate AOs and Cardholders upon successful completion their DOD/DON Purchase Card Training
- Perform AO and Cardholder account setups after written approval

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Delegation of the Approving Officials and Cardholders is the last major step in the setup process. The HA and/or APC must select individuals to fill these positions. They can be delegated to their Purchase Card Program responsibilities only after successful completion of the mandated training.

After written delegation and completion of training, the APC can setup the AO and Cardholder accounts. This concludes our discussion of the basic process for establishing a Purchase Card program.

Please click the forward arrow to continue.

## Mid-Lesson Summary

Now that you are familiar with:

- the *major players* of a DON Purchase Card Program
- its *hierarchy levels*
- their *interrelationships*, and
- Program *establishment* .....

let's continue with the overall purpose of the Program.

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Now that you are familiar with the major players in the Purchase Card Program, its hierarchy structure, their interrelationships and how a program is established within a command, let's look at the overall purpose of the Purchase Card Program.

Click the forward arrow to continue.

# PC Program Background

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- The need for the Purchase Card Program began with Executive Order 12352, “Procurement Reform”, issued in 1982.
- DON issued a tailored Task Order, DON-9700-003, to Citibank on July 6, 1998 to provide these worldwide purchase card services.

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The need for the Purchase Card Program was identified in Executive Order 12352, Procurement Reform, issued in 1982. The Department of the Navy selected Citibank as its contractor and issued a tailored task order on July 6, 1998, for Citibank to provide worldwide Purchase Card services.

Please click the forward arrow now.

## PC Program Purpose

- The Purchase Card Program is intended to:
  - streamline small purchase methods,
  - minimize paperwork, and
  - streamline payment processes.
- It was developed to provide a *fast and convenient* method to pay for all requirements under the micro-purchase threshold of \$2,500.

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The Purchase Card Program is intended to simplify small purchase methods, minimize paperwork and streamline the payment process. It was developed to provide a fast and convenient method to pay for all requirements under the micro-purchase threshold which is \$2,500.

The Program is intended to provide Department of the Navy civilian and military employees a convenient and commercially available payment method to make necessary acquisitions.

Click the forward arrow to continue.

## Purchase Card Use

- The Purchase Card is used to purchase *supplies and services* for official government business valued at or below the micro-purchase threshold (\$2,500).
- It may be used as a *method of payment* in conjunction with other contracting methods above the micro-purchase threshold up to \$9,999,900.

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DoD and DON policy both state that the Purchase Card shall be used to purchase supplies and services for official government business valued at or below the micro-purchase threshold which is \$2,500.

In addition, it may be used as a method of payment in conjunction with other contracting methods for acquisition above the micro-purchase threshold up to \$9,999,900, depending on the type of contracting vehicle utilized.

This concludes lesson 1 of the Purchase Card Certification course. Click the forward arrow now to review this lessons objectives.

# Review of Objectives

You should now be able to:

- Identify the *Major Players* in Purchase Card Program and explain their responsibilities
- Explain the organization and the purpose of the Purchase Card *Hierarchy System* [\(REVIEW\)](#)
- List the major steps to *Establishing a Purchase Card Program* [\(REVIEW\)](#)

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Take a minute to review this lesson's objectives. If necessary, you can click on the word "REVIEW" to return to the relevant area of the training to review that topic. When you are finished reviewing a topic, click the "RETURN" arrow icon in the navigation toolbar to return to this page of the course.

When you are confident that you understand the material, click the forward arrow to proceed.

DON Purchase Card Certification Course

## Lesson 1, Part II

# Introduction



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This concludes lesson 1. Click on the "HOME" icon in the navigation toolbar to close this lesson and return to the main menu. At the main menu, click on lesson 2 to continue your training.



DON Purchase Card Certification Course

## Lesson 2

# Program Establishment



Head of Activity Course

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This is lesson two of the Head of Activity Purchase Card Certification Course. The first lesson introduced you to the Program and provided some background information. This lesson outlines the responsibilities of the Head of Activity as related to the establishment of your local Purchase Card Program. Please click the forward arrow to continue.

## Lesson 2 Learning Objectives

Upon successful completion of this lesson, you will be able to:

- Identify personnel responsible for delegation, re-delegation and use of contracting authority
- State the method for providing delegation of contracting authority
- Identify 3 APC position elements that are important considerations
- Identify the major skills that are necessary to manage a successful Purchase Card Program
- Identify 2 situations requiring Certificate of Appointment (SF 1402) issuance to a Cardholder
- State the purchase limit types included in each Letter of Delegation or SF 1402



As the HA, you have the overall responsibility for establishing your Purchase Card Program. This lesson's objectives related to the establishment of a local Purchase Card Program. When you finish this course, you will be tested on these objectives and the objectives of the other lessons. Click the forward arrow to continue.

# Head of Activity

(HCA)

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- Military officer or civilian executive in charge
- Responsible for overall contracting authority management

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As the military officer or civilian executive in charge, the HA has the overall responsibility for managing the contracting authority granted by the cognizant Head of Contracting Activity. Click the forward arrow now for more about the HCA.

## Head of Contracting Activity

- Official at each of the 10 major Department of Navy components
- Overall responsible for *Contracting Authority Management* within their chain of command
- Responsible for the *delegation, re-delegation, and contracting authority use*, including Purchase Card use

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The Head of Contracting Activity is an official at each of the 10 major Department of the Navy components. The HCA has overall responsible for managing contracting authority within the contracting chain of command.

HCAs are responsible for the delegation, re-delegation and contracting authority use, including Purchase Card use by Department of the Navy commands, activities and personnel under their contracting domain. The HCA grants, or refuses to grant, the authority to establish and run a Purchase Card Program within one of its activities.

Click the forward arrow to see the Head of Activity's relationship to the HCA.

# Program Establishment Procedure

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## The Head of Activity:

- Determines Purchase Card Program need
- Requests authority from the HCA for establishment

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Let's assume an activity does not have a Purchase Card Program established as yet. If the Head of Activity makes the determination that a Purchase Card Program is needed to support the organization's mission, the HA must request authority from the HCA to establish a local program.

Click the forward arrow to continue.

# Program Establishment Procedure

If your request is accepted,  
the HCA:

- Provides written delegation  
acknowledgement
- Describes limitations  
associated with request



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If the HCA's office accepts the request, they provide the HA with written delegation acknowledgement and describe any limitations associated with the request. This is the authorization to move forward with the establishment of a local Purchase Card Program.

Click the forward arrow to continue.

# Agency Program Coordinator

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- Must complete required training *prior* to appointment
- Responsible for developing/promulgating IOP and local policies and procedures
- Purchase Card Program is APC's *primary* responsibility

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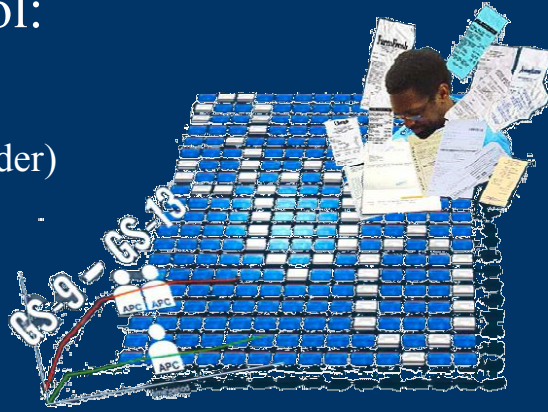
Once the HCA grants authority to establish a program, the next major step is to appoint an Agency Program Coordinator. An applicant for the role of APC must complete the required training prior to appointment. The APC is responsible for developing and distributing the local Internal Operating Procedures and any local policies and procedures that are mission specific.

The responsibilities of the APC position are demanding enough that this should be the individual's primary assignment. Let's take a look at the main elements to consider in the selection of an APC candidate. Click the forward arrow now.

# APC Position Elements

## Span of Control:

- No more than 300 accounts (Cardholder) per APC
- Volume of transactions



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There are 3 major issues regarding the APC position that must be considered when choosing an appointee. This slide addresses the first of these three, the Span of Control. You need to consider the number of Purchase Card accounts and transactions that will be involved in the program. As a general rule, one APC should be responsible for no more than 300 Cardholder accounts.

The volume of transactions should also be evaluated. For an activity with a large transaction volume, 300 accounts may be too high for the appointed individual to properly perform their required tasks.

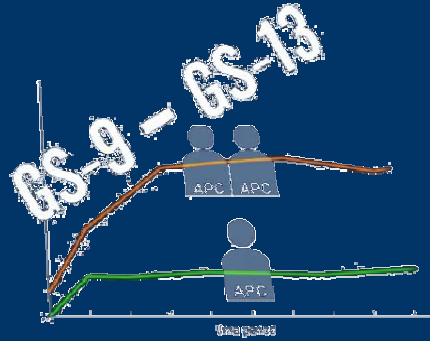
Click the forward arrow to review the second element to consider in your APC selection process, the grade and job series of your appointee.



# APC Position Elements

Recommended grade and job series associated with the position:

- GS-11 at a minimum
- GS-9 if more than 1 needed
- Could be GS-9 to GS-13



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You should consider the grade and job series associated with the position when making an APC appointment. It is recommended that, given the responsibilities of the primary APC position, it should be staffed with a minimum of a GS-11 or military equivalent.

If more than one APC is necessary, a GS-9 or military equivalent is adequate, with the primary APC being the team leader. A range of GS-9 to GS-13 is appropriate for an APC selection scale, commensurate with the size of the program.

Click the forward arrow to continue.

# APC Position Elements

The APC must possess certain *knowledge and skills* to successfully manage the Purchase Card Program.



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The third consideration is the required knowledge and skills. While a particular job series is not mandated for the APC position, there are a number of skills that are necessary to manage a successful program. The next two slides highlight ten knowledge areas and skill sets to consider in your selection process. Click the forward arrow to continue.

# APC Position Knowledge & Skill Set

- ✓ 1. Contracting policy/procedures, including FAR
- ✓ 2. Financial policy/procedures, including DOD FMR
- ✓ 3. Strong verbal/written communication skills
- ✓ 4. Ability to provide classroom training
- ✓ 5. Strong analytical skills

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At a minimum, your APC candidate should have the following knowledge and skills:

1. A knowledge of contracting policies and procedures, including Federal Acquisition Regulations and supplements;
2. A knowledge of financial policies and procedures, including the Department of Defense Financial Management Regulations;
3. Strong verbal and written communication skills with the ability to resolve conflicts, issue policies, and provide guidance;
4. The ability to provide initial and refresher classroom training for account holders; and,
5. Strong analytical skills to resolve complex issues.

Click the forward arrow now to review the final five recommended APC qualifications.


# APC Position Knowledge/Skill Set

- ✓ 6. Strong Computer skills
- ✓ 7. Ability to understand commercial Purchase card practices
- ✓ 8. Ability to organize and work independently
- ✓ 9. Ability to interact with a wide variety of personnel
- ✓ 10. Strong analytical skills



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Continuing with the list of recommended APC knowledge and skills:

- 6. Your APC must possess strong computer skills to electronically manage the program, generate reports and provide upper management with information as required;
- 7. The ability to understand commercial Purchase Card practices;
- 8. The ability to organize and work independently;
- 9. The ability to interact with a wide variety of personnel, including bank personnel, Commanders, Managers, AOs and Cardholders of varying grades and ranks; and,
- 10. Strong leadership skills for the team leader role.

All ten of these knowledge and skill set areas should be given considerations as you select an APC to lead your Purchase Card Program. Click the forward arrow to continue.

## Appointing/Nominating Procedure for APC



Appoint an .....

*Alternate APC*

at each level.

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Since the APC role is vital to the smooth operations of the program, it is recommended that an alternate APC be appointed at each level. The Alternate APC can help with the normal workload and provide backup at times when the primary APC is unavailable.

Once you've selected the candidate, there is an official nomination or appointment process.

Click the forward arrow to review this process.

# Nomination/Appointment Procedures for APC

Local nomination and  
appointment procedures to  
include furnishing APCs  
with a ...

*Letter of Delegation.*



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Activities should establish local procedures for nominating and appointing APCs. At a minimum, the procedures should include furnishing each APC with a Letter of Delegation outlining their duties and responsibilities. A sample of such a Letter of Delegation is available in the APC Desk Guide.

Other program participants must also be selected and formally appointed. Click the forward arrow now and we'll look at the Cardholder delegation process.

# Sample Letter of Delegation



From: Commanding Officer/APC  
To: JCHS CDE  
Subj: DELEGATION OF AUTHORITY TO USE PURCHASE CARD  
Ref: (a) Federal Acquisition Regulation (FAR) 1.8  
(b) Defense Federal Acquisition Regulation (DFAR) 201.8  
(c) DODSUSPAC/DFARS 2001.1A

1. In accordance with references (a) through (c), you are hereby appointed as contracting officer for the United States of America, limited to the use of the Government Purchase Card. The specific limits of your authority are established below. You may use your card as a procurement method or as a method of payment in accordance with references (a), up to your single purchase limit. You are reminded that you are personally accountable for strict adherence to DODN Purchase Card policies and procedures when using the card.

a. Dollar Thresholds:  
- \$2,500 single purchase limit  
- \$5,000 monthly purchase limit

b. Authorized purchases are limited to appropriate categories:  
- Standard acquisition method:  
- Method of payment against contract documents issued by a contracting officer.  
- Oral orders against Government contracts, purchase orders, GSA, Schedules/USA Advantage, JAWO, etc.  
- DAPS  
- Blanket Purchase Agreements / LOA  
- Purchase of Training (DDI 556)

c. Purchase restrictions (if any): (i.e., purchase cardholder cannot use purchase card over the limit or over the counter)

d. Merchant Category Code Blocks (if any)


2. The purchase card shall only be used for authorized U.S. Government purchases. Intentional use of the purchase card for other than official government business will be considered an unauthorized commitment against the U.S. Government and may result in immediate cancellation of an individual's purchase card and further disciplinary action. The cardholder will be held personally liable to the Government for the amount of any non-government purchase. Under 18 U.S.C. 287, misuse of the purchase card could result in a fine of not more than \$5,000 or imprisonment for not more than two years or both. Military members that misuse the purchase card may be subject to court-martial under 10 U.S.C. 352, UCMJ Article 132.

3. Questions concerning your delegation of authority or purchase card account should be directed to the Command Agency Integration Coordinator, Vicksburg, Johnstone Smith, who can be reached at (888) 555-1212.

Signed by Commanding Officer

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All Purchase Card Program cardholders receive a Letter of Delegation as a part of their formal appointment to the position. The letter includes details of the card spend limits and other usage criteria, such as, authorization to use the card as a method of payment in conjunction with a buying contract. A sample Letter of Delegation is included in the APC Desk Guide.

Click the forward arrow to continue.

# Certificate of Appointment

Certificate of Appointment, SF 1402 used if:

- Government contracts above micro-purchase threshold
- OCONUS Cardholders delegated contracting or purchase authority for use up to \$25,000



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In addition to the Letter of Delegation, Cardholders are issued a Certificate of Appointment, SF 1402, under the following two circumstances. First, if the account will be used for orders issued against government contracts above the micro-purchase threshold which is \$2,500. Second, cardholders should be issued an SF 1402 if they are outside the Continental United States and have been delegated contracting or purchase authority for use up to \$25,000.

The Letter of Delegation and the Standard Form 1402 both contain details about the purchasing authority being delegated. Click the forward arrow to review the most common details included.



# Certificate of Appointment

## Each *Letter of Delegation* or *SF1402* specifies:

- Single purchase limit
- Billing cycle purchase limit
- Transaction type
- Method of payment limits



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Each Letter of Delegation and/or Standard Form 1402 specifies the single purchase limit for open market and government sources of supply, the billing cycle purchase limit, the transaction types, and the method of payment limits, if any. These are the minimum four account details that need to be clearly identified at the time the account is established. The single and billing cycle purchase limits are actually loaded into the bank system to control the use of the account.

Now click the forward arrow to review this lesson's objectives.

# Review of Objectives

You should now be able to:

- Identify personnel responsible for delegation, re-delegation and use of contracting authority ([REVIEW](#))
- State the method for providing delegation of contracting authority([REVIEW](#))
- Identify 3 APC position elements that are important considerations ([REVIEW](#))
- Identify the major skills that are necessary to manage a successful Purchase Card Program ([REVIEW](#))
- Identify 2 situations requiring Certificate of Appointment (SF 1402) issuance to a Cardholder ([REVIEW](#))
- State the purchase limit types included in each Letter of Delegation or SF 1402 ([REVIEW](#))



This concludes Lesson 2 of the Head of Activity Certification course. Take a minute to review this lesson's objectives. If necessary, you can click on the word "REVIEW" to return to the relevant area of the training to review that topic. When you are finished reviewing a topic, click the "RETURN" arrow icon in the navigation toolbar to return to this page of the course.

When you are confident that you understand the material, click the forward arrow to continue.

DON Purchase Card Certification Course

## Lesson 2

# Program Establishment



Head of Activity Course

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This concludes Lesson 2. Click on the “HOME” button icon in the navigation toolbar to close this lesson and return to the main menu. At the main menu, click on Lesson 3 to continue your training.

DON Purchase Card Certification Course

## Lesson 3, Part I

# Management Controls



Head of Activity Course

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November 2005



This is lesson 3, part I, of the Head of Activity Certification Course. This lesson discusses program management controls. Please click the forward arrow to review the training objectives.

## Lesson 3, Part I Learning Objectives

Upon successful completion of this lesson, you will be able to:

- State the Program review requirements imposed by the HCA
- State the DON CCPMD program review requirements
- State the Local Program Review requirements
- List the minimum internal management controls



Before proceeding, read the training objectives listed here. When you finish this course, you will be tested on these objectives and the objectives of the other lessons. Click the forward arrow when you are ready to continue.

# HCA Imposed Review Requirements

Consider these key areas during reviews:

1. Purchase Card reviews conducted
2. Activities using the Purchase Card
3. Activities receiving unacceptable ratings and program suspension
4. Activities having authority reinstated
5. Activities exceeding micro-purchase threshold

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November 2005



The Head of Contracting Activity is required to submit a relevant findings summary on each Purchase Card Program under its cognizance for the period of the previous fiscal year. In order to do this, they impose certain review requirements that the HA must follow. Here are some key areas you should consider in your reporting requirements to the HCA.

You should report:

- 1) the number of Purchase Card reviews conducted, and
- 2) the number of activities using the card;
- 3) the number of unacceptable ratings resulting in program suspension;
- 4) the activities whose Purchase Card authority was reinstated and,
- 5) the number of activities exceeding the micro-purchase threshold.

These are the first group of key areas to consider when reporting to your HCA. Click the forward arrow now to see additional areas of consideration.

# HCA Imposed Review Requirements

Consider these key areas during reviews:

6. Approving Official span of control
7. Questionable transactions including instances of split purchases and excessive delinquencies
8. Screening for Government supply sources
9. Separation of receiving/approving functions

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In addition to the five areas just discussed, you should also review

- 6) the AO's span of control. The ratio should not exceed 7 accounts per AO. Be sure the ratio is adequate considering the number of accounts and the volume of transactions.
- 7) Consider questionable transactions, including instances of split purchases and excessive delinquencies.
- 8) Take into account the proper screening requirements for government supply sources, and
- 9) review and ensure that the proper separation of duties and functions is in place.

In addition to these HCA reporting requirements, the DON Consolidated Card Program Management Division of NAVSUP requires Semi-Annual reviews of your Purchase Card Program. Click the forward arrow for a discussion of these requirements.

# Semi-Annual Reports

DON CCPMD requires semi-annual reports:

- November 30<sup>th</sup> and May 30<sup>th</sup> of each year
- May's report encompasses October – March
- November's report covers April - September



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November 2005



The DON Consolidated Card Program Management Division requires the Head of Activity to file semi annual reports on the status of their Purchase Card Programs. These reports are due on the 30th of May and the 30<sup>th</sup> of November of each year.

May's report encompasses the months of October through March and November's report covers April through September. Click the forward arrow now to review the required content of these reports.



# Semi-Annual Report Content

- Number of APCs, AOs, and Purchase Card accounts
- Average Claimancy AO to Account Ratio
- Number Of:
  - AO Accounts Above the 7:1 Ratio
  - Cardholders, AOs and APCs Trained
- Questionable Transactions/Purchases to include those:
  - Not Required to Support DON Mission
  - For Personal Use
  - That Exceeded Authorized Limits
  - Split Requirements to Circumvent the Micro-Purchase Threshold
  - Prohibited per EBUSOPSOFFINST 4200.1a
- Internal Management Control Weaknesses

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November 2005



The DON CCPMD provides the format for the Semi-Annual Review reports. These reports are forwarded up the APC chain of command and summarized by the Level 3 APC. The Level 3 APCs then forwards the summarized reports to CCPMD.

Your semi annual review report should include these major reporting elements:

1. The total number of APCs, AOs, and Purchase Card accounts
2. The average ratio of Purchase Card accounts to AOs
3. The number of AO accounts above the 7 to 1 ratio
4. The number of trained Cardholders, AOs and APCs
5. All questionable transactions and purchases to include those not required to fulfill minimum, immediate needs to support the mission, purchases for personal use, those exceeding authorized limits, any requirements that were split to circumvent the micro-purchase threshold, and purchases that are prohibited items, as identified in the CCPMD instruction, and
6. any weaknesses in internal management controls should be reported.

In addition to the HCA and CCPMD reporting requirements, program policy requires local program reviews. Click the forward arrow to continue.

# Local Program Reviews

- Monthly
- Semi-annual

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November 2005



The DON Purchase Card Program policy requires the HA to ensure the APCs conduct internal monthly and semi-annual reviews of their Purchase Card Program. These internal reviews can facilitate the collection of data for the externally required reviews, for example, data for the CCPMD Semi-Annual reviews can be a summary of these internal monthly reviews.

Click the forward arrow to continue.

# Internal Reviews

Ensure APC performs monthly and semi-annual internal reviews to reveal APC, AO or Cardholder non-compliance such as:



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The integrity of your Program depends on the APC performing monthly and semi-annual local Program reviews. These reviews should focus on uncovering any non-compliance issues, such as fraud, misuse or abuse by program participants. One technique to uncover such non-compliance is for the APC to perform 100% check of the activity's transactions.

This can be accomplished using the Citibank Customer Reporting System. The APC can create filters to, for example, select out transactions which exceed the micro-purchase limits. This smaller number of transactions can then be reviewed for non-compliance.

Click the forward arrow to continue.

# Internal Semi-Annual Reviews

Ensure APC conducts semi-annual reviews to include .....

- Evaluation of local operating procedures & internal management controls
- Transactions
- Summary of actions taken by the APC
- Actions taken on deficiencies

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November 2005



Also, your APC should conduct internal semi-annual reviews. These reviews consist of evaluating local operating procedures, internal management controls and a review of transactions. The APC should provide you with a copy of the report.

The semi-annual review should be a summary of the actions taken by the APC resulting from the monthly reviews; it should include all actions taken on any deficiencies noted.

Click the forward arrow to continue.

# Program Participant Reviews

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HA required to *evaluate*.....

## All Program Participants

.....against their designated roles.

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November 2005



The final program review requirement applies to all program participants. The HA is required to evaluate all program participants against their designated roles and responsibilities. This includes Cardholders, Approving Officials and APCs.

This concludes our discussion of the various reviews and reporting requirements. We will now turn our attention toward Management Controls; please click the forward arrow.

# Management Controls *and* Responsibilities

At a minimum, these internal management controls should be in place.....

- Separation of Duties
- Separation of Function
- Span of Control

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November 2005



Together with the APCs, the Head of Activity must establish internal management controls to operate and provide Program oversight. At a minimum, these management controls should be put in place - separation of duties, separation of function, and span of control.

Let's look at each in more detail; please click the forward arrow.

## Separation of Duties

*HA & APC shall ensure:*

- Roles and responsibilities not in conflict
- Adequate checks and balances in place
- APC should not be AO or Cardholder

*If an APC must be an AO, ensure:*

- An independent Command department performs semi-annual reviews

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November 2005



You and your APCs need to ensure that the roles and responsibilities of individuals within your Programs are not in conflict and that adequate checks and balances are in place. This is called Separation of Duties.

For example, APCs should not be AOs or Cardholders. In cases where commands have a limited number of personnel and an APC must be an AO, you must ensure that a command department, independent of the local Purchase Card Program office, performs the semi-annual reviews.

Separation of Duties also applies to the AO and Cardholder positions. Click the forward arrow to review this scenario.

# Separation of Duties

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*HA & APC shall ensure . . . .*

- Individuals designated as AOs not be assigned as Cardholders
- Under no circumstances assign Cardholder as own AO

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November 2005



The Head of Activity and the APCs need to make sure that AOs are not assigned as Cardholders. If personnel considerations require an AO to be a Cardholder, under no circumstances will cardholders be their own AOs.

AOs should be, to the greatest extent feasible, the Cardholder's supervisor or, at least, be in the direct line of supervisory authority. Click the forward arrow to continue.



# Separation of Function

*HA & APC shall ensure ...*

- One person makes purchase
- Another person receives, inspects and accepts the purchase

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November 2005



To protect the integrity of the procurement process, there must be, at a minimum, a two-way separation of functions for all Purchase Card transactions. This is defined as one person making a purchase and another person receiving, inspecting and accepting the purchase.

In some situations, the cardholder makes the purchase at the vendor's location and picks up the material at the same time. Click the forward arrow to see how these situations should be handled.

# Separation of Function

## *Cardholder picks up material:*

- End user or designated receiving personnel signs receipt

## *If Cardholder is the end user:*

- May sign receipt
- Must obtain co-signature

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November 2005



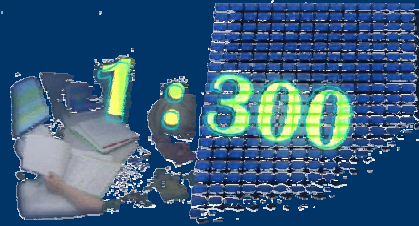
In cases where the Cardholder is picking up the material at the vendor's location, the end user or other designated receiving personnel shall sign for final receipt.

In the event the Cardholder is the end user, the Cardholder may sign the contractor or store receipt, but must obtain the co-signature of another government employee within the command. If a future review of transaction documentation uncovers a store receipt signed by the cardholder and not co-signed, it may be cause for follow-up.

Now, click the forward arrow to review span of control.

# Span of Control

- Ratio of Card Accounts to AOs Shall Not Exceed 7:1
- Ratio of Card Accounts to APCs Shall Not Exceed 300:1



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November 2005



Local Programs must ensure that the ratio of Purchase Card accounts to AOs does not exceed 7:1. In addition, you need to consider the number of transactions per Cardholder that an AO is required to review. An unusually high number of transactions would indicate a possible need to use a smaller ratio of accounts to AO, e.g, 5:1.

The ratio of card accounts to APC, should not exceed 300 :1.

This completes our discussion of the three internal management controls – Separation of Duties, Separation of Functions and Span of Control. Click the forward arrow and we'll review this lessons objectives.

## Review of Objectives

You should now be able to:

- State the Program review requirements imposed by the HCA [\(REVIEW\)](#)
- State the DON CCPMD program review requirements [\(REVIEW\)](#)
- State the Local Program Review requirements [\(REVIEW\)](#)
- List the minimum internal management controls [\(REVIEW\)](#)

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Here are this lesson's objectives; take a minute to review them. If necessary, you can click on the word "REVIEW" to return to the relevant area of the training to review that topic. When you are finished reviewing a topic, click the "RETURN" arrow icon in the navigation toolbar to return to this page of the course.

When you are confident that you understand the material, click the forward arrow to continue.

DON Purchase Card Certification Course

## Lesson 3, Part I

# Management Controls



Head of Activity Course

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This concludes Part I of Lesson 3. Click on the “HOME” icon in the navigation toolbar to close this lesson and return to the Main Menu. At the Main Menu, click on Lesson 3, Part II to continue your training.

DON Purchase Card Certification Course

## Lesson 3, Part II

# HA “Top 10 List”



**Head of Activity Course**

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November 2005



This is lesson 3, part 2, of the Purchase Card, Head of Activity Certification Course. This part of the lesson presents the “Top 10 List” of program management tips for the HA. Please click the forward arrow to review the training objectives.

DON Purchase Card Certification Course

## Lesson 3 Learning Objectives

Upon successful completion of this lesson, you will be able to:

- List 10 Purchase Card Program Management Tips for the Head of Activity.

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November 2005



Before proceeding, read over the objective listed here. When you finish this course, you will be tested on this objective and the objectives of the other lessons. Click the forward arrow when you are ready to continue.

## Top 10 List Program Management Tips

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1. Appoint a qualified APC
2. Ensure number of Purchase Cards and accounts reflects the Government's minimum need

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November 2005



The Consolidated Card Program Management Division has compiled a list of its top 10 Program Management Tips to help manage your program. Here are the first two tips.

1. Appoint an appropriate grade and rank APC, with motivation and people skills. This appointment may be a full time duty depending on the number of accounts and transactions. Work closely with your APC; they can be your greatest asset.
2. Ensure that the number of Purchase Card accounts reflects the government's minimum need. You should have only the number of accounts necessary to purchase supplies and services, in a timely manner. Unnecessary or inactive cards can lead to misuse, abuse, fraud, and loss of control over your Program.

Click the forward arrow to continue.



## Top 10 List

### Program Management Tips

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3. Review specific credit limits and account spending history to ensure consistency with mission requirements
4. Take appropriate administrative and disciplinary action for fraudulent, misuse or abuse of the Purchase Card

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November 2005



Continuing with the Top 10 List:

3. Review specific credit limits and account spending history to ensure consistency with mission requirements. AOs can review spending patterns and adjust credit limits accordingly. Be sure that single transaction limits are consistent with historical spending needs.
4. Take appropriate administrative and disciplinary action for fraudulent, improper, or abusive Purchase Card transactions. Immediate account suspension or cancellation is an appropriate initial response. Be sure that internal review and investigation results are sufficiently documented, and that corrective action is taken. Disciplinary action is HA's responsibility.

Click the forward arrow to continue.

## Top 10 List

### Program Management Tips

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5. Ensure each AO's span of control is 7 or less accounts
6. Review existing weekly delinquency reports with APC

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November 2005



Item #5:

5. Ensure that the span of control for each of your AOs is 7 or less accounts. Take into consideration both the number of accounts, as well as their average number of monthly transactions. Accounts with high averages may require a span of control of less than 7 accounts for a single AO.
6. Review existing weekly delinquency reports with your APC. A weekly delinquency report, available to all level three APCs, can be used to monitor AO performance and help determine the underlying cause of delinquency. Disseminate this report down to the level five APCs to take action.

Click the forward arrow to continue.

## Top 10 List

### Program Management Tips

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7. Ensure all Cardholders, AOs, and APCs are appropriately trained and that training is properly documented
8. Enforce proper separation of purchasing, receipt, and acceptance function requirements, and maintain documented evidence

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November 2005



#### Item # 7

7. Be sure that all of your Cardholders, AOs, and APCs are trained in accordance with Department of Defense and Department of the Navy policy requirements. Document their training and maintain their certificates on file. With the exception of those at sea, suspend the account of any Cardholder or AO who hasn't completed their required basic or refresher training.
8. Enforce proper separation of functions and maintain documented evidence.

Click the forward arrow to continue.

## Top 10 List

### Program Management Tips

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9. Maintain documented evidence of proper monthly statement certification
10. Make effective use of the tools available for program management

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November 2005



Now let's review the final two program management tips. Item...

9. Maintain documented evidence of proper monthly statement reconciliation by the Cardholder and certification by the AOs. This may include, but is not limited to, Purchase Card logs, receipt information, monthly Cardholder statement copies, and certification statements.
10. Be sure you make effective use of the tools available to you for managing your Program. For example, use the Citibank CCRS ad hoc reporting tool to identify potentially fraudulent, improper or abusive Purchase Card transactions.

Click the forward arrow for a summary of these management tips.

## Top 10 List

### Program Management Tips

1. Appoint a *qualified* APC
2. Ensure number of Purchase Cards and accounts reflects the Government's *minimum need*
3. Review specific credit limits and account spending history to ensure *consistency with mission requirements*
4. Take appropriate administrative and *disciplinary action* for fraudulent, improper, and/or abusive Purchase Card transactions
5. Ensure each AO's *Span of Control* is 7 or less accounts
6. Review existing weekly *delinquency reports* with APC
7. Ensure all Cardholders, AOs, and APCs are *appropriately trained* and that training is properly documented
8. Enforce proper *separation* of purchasing, receipt, and acceptance *function* requirements, and maintain documented evidence
9. Maintain *documented evidence* (i.e. Purchase Card logs, statements copies)
10. Make effective use of the tools available for *program management*

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These 10 Program Management Tips can help you effectively manage your Purchase Card Program. Print this list and keep it as a reference tool.

Now let's review this lesson's training objective, click the forward arrow to continue.

DON Purchase Card Certification Course

# Review of Objectives

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You should now be able to:

- List 10 Purchase Card Program Management Tips for the Head of Activity.

(REVIEW)

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Take a minute to review this lessons objective. When you are confident that you understand the material, click the forward arrow to continue.

DON Purchase Card Certification Course

## Lesson 3, Part II

# HA “Top 10 List”



Head of Activity Course

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Congratulation, you have now completed Lesson 3. Click on the “HOME” icon in the navigation toolbar to close this lesson and return to the Main Menu. At the Main Menu, click on Lesson 4 to continue your training.

DON Purchase Card Certification Course

## Lesson 4

# Misuse Investigations



Head of Activity Course

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November 2005



This is lesson 4 of the Head of Activity Certification Course. The previous lesson discussed the management tools available to the HA to control the program . This lesson looks at what to do if those controls fail and some form of misuse is uncovered.

Please click the forward arrow to review this lessons objectives.



## Lesson 4 Learning Objectives

Upon successful completion of this lesson, you will be able to:

- State the policy governing the handling of irregularities in disbursing officer accounts
- State the requirements for the distribution of disbursement irregularity investigation reports



This lesson covers the objectives listed here. When you finish this course, you will be tested on these and the objectives of the other lessons. Click the forward arrow to continue.

# Misuse Investigations

Order an investigation as per Volume 5, Chapter 6 and Appendix C of the Financial Management Regulation, DOD 7000.14R



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November 2005



When a misuse charge is made, the HA must convene or order an investigation in accordance with Volume 5, Chapter 6 and Appendix C of the DoD Financial Management Regulation. The Department of Defense FMR is available online at the website shown here.

Chapter 6 addresses the topic of irregularities in disbursing officer accounts and how they must be handled. Click the forward arrow to continue.

# Misuse Investigations

## *Irregularities:*

- Physical losses
  - ✓ Major, >\$750
  - ✓ Minor, <\$750
- Illegal, incorrect, or improper payments
- Overages of funds

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There are three categories of disbursing officer account irregularities; they are 1) physical losses, 2) illegal, incorrect, or improper payments, and 3) overages of funds. Anyone within the program that suspects irregularities by another program participant, is obligated to notify the offender's commander, so they may take appropriate actions.

If a situation warrants an investigation, there are guidelines for the distribution of the reports emanating from the investigation. Click the forward arrow to see these guideline..

# Misuse Investigations



- Forward investigation reports through appropriate channels to DFAS
- The DoD FMR, DoD 700.14-R, includes directions for distribution of reports

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November 2005



As the HA, you must forward the investigation's findings reports through the appropriate channels to DFAS. The Financial Management Regulation includes direction for the proper distribution of disbursement irregularity investigation reports.

Click the forward arrow to continue.

# Misuse Investigations

- Take all appropriate actions as a result of investigation
- For guidance, check:
  - FMR, DoD 700.14-R, Chapter 6
  - EBUSOPSOFFINST 4200.1A



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November 2005



And finally, based on investigative reports, you, as the HA, are responsible for initiating appropriate actions for fraud, misuse or abuse of the Purchase Card Program. Guidance for these actions is provided by the Financial Management Regulation and the Consolidated Card Program Management Division's Purchase Card Instruction.

Click the forward arrow to continue.

## Review of Objectives

You should now be able to:

- State the policy governing the handling of irregularities in disbursing officer accounts (REVIEW)
- State the requirements for the distribution of disbursement irregularity investigation reports (REVIEW)



This concludes Lesson 4, the final lesson of the Purchase Card, Head of Activity Certification course. Take a minute to review this lesson's objectives. When you are confident that you understand the material, click the forward arrow to continue.

DON Purchase Card Certification Course

## Lesson 4

# Misuse Investigations



Head of Activity Course

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November 2005



Congratulations! You have completed the Head of Activity Certification Course and you are now ready to take your certification test. Click on the "HOME" icon in the navigation toolbar to close this lesson and return to the main menu. At the main menu, click on Certification Test. You will be taken to the testing site where you can register, take the test and, then, print your Certificate of Completion.

Click the "Home" icon now.